

## Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 09863 01 OF 02 261628Z

45

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 /099 W

----- 064430

R 261612Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2377

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 09863

E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: JONES WARNS TUC THAT FAILURE TO DEVELOP NEW  
WAGES POLICY COULD BRING DOWN GOVERNMENT OR RESULT IN  
ESTABLISHMENT OF COALITION - AND THE TUC RESPONDS

REF: (A) LONDON 9089; (B) LONDON 7940

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 09863 01 OF 02 261628Z

SUMMARY - PRODDER BY THE GOVERNMENT AND CLEARLY MORE COG-

NIZANT OF THE GRAVITY OF THE ECONOMIC SITUATION (THE POUND MADE ITS SHARPEST DROP YESTERDAY SINCE FEBRUARY), THE TUC HAS TAKEN AN IMPORTANT STEP IN REVAMPING ITS WAGES POLICY IN ORDER TO DEAL WITH INFLATION. THE GENERAL COUNCIL YESTERDAY OVERWHELMINGLY ENDORSED A SIX-POINT APPROACH WHICH INCLUDES ELEMENTS OF THE "JONES INITIATIVE", A FLAT RATE WAGE INCREASE -- TIED TO A PRICE LEVEL TARGET FOR 1976 (REF A). THERE WAS LITTLE "SPELLING OUT" OF THE TUC PROPOSALS AND THERE WILL BE CONTINUED INTERNAL DISCUSSION WITHIN THE TUC AND OUTSIDE IT BEFORE THEY TAKE ON MEANINGFUL FORM. BUT LEN MURRAY STRESSED THE URGENCY OF ENDING THE "PAPER CHASE" OF PRICE-WAGE INFLATION AND JACK JONES -- IN AN IMPASSIONED PLEA TO HIS COLLEAGUES IN SUPPORT OF A NEW PAY POLICY -- HAMMERED HOME THE THEME THAT IF THE TUC FAILED TO COME UP WITH A WORKABLE POLICY, THE LABOR GOVERNMENT MIGHT FALL OR A COALITION COULD BE FORMED. END SUMMARY.

1. THE SIX-POINT APPROACH AGREED UPON BY THE TUC GENERAL COUNCIL AS A BASIS FOR FURTHER DISCUSSION AT KEY TUC MEETINGS NEXT MONTH INCLUDES (A) SETTING OF A PRICES TARGET TO BE ACHIEVED BY THE MIDDLE OF 1976; (B) SETTING OF A PAY FIGURE RELATED TO THE ACHIEVEMENT OF THAT TARGET, AND THE UNIONS WOULD BE EXPECTED TO SETTLE ON THE BASIS OF THAT FIGURE IN THE FORM OF A FLAT-RATE WAGE INCREASE ("THE JONES INITIATIVE") TO BE UNIVERSALLY APPLIED (SPECIAL PROBLEMS MIGHT BE CONSIDERED FOR ARBITRATION); (C) FOREGOING OF FURTHER INCREASES OR ACCEPTANCE, EVEN, OF REDUCTIONS BY PEOPLE RECEIVING HIGH SALARIES (NO FIGURE WAS GIVEN BUT IN PREVIOUS TESTIMONY TO A ROYAL COMMISSION THE TUC SUGGESTED A 20,000 POUND LIMIT); (D) TAKING OF RADICAL ACTION TO LIMIT PRICES AND TO SECURE ABSOLUTE REDUCTIONS WHERE POSSIBLE (RIGID APPLICATION OF THE PRICE CODE, USE OF SUBSIDIES AND CONSUMER PROTECTION ACTION WERE SUGGESTED); (E) SETTING OF THE OBJECTIVE TO CUT IN HALF THE UNEMPLOYMENT LEVEL FORECAST FOR 1976 -- OR 500,000 INSTEAD OF ONE MILLION AS PREDICTED FOR THE END OF THIS YEAR; (F) MAINTENANCE AND DEVELOPMENT OF THE SOCIAL CONTRACT AS THE FUNDAMENTAL BASIS OF CONTINUING UNITY BETWEEN THE TRADE UNIONS AND THE GOVERNMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 09863 01 OF 02 261628Z

2. THE SIX-POINT APPROACH WAS CHARACTERIZED BY MURRAY AS "GUIDING PRINCIPLES" AND HE ACKNOWLEDGED THAT THIS WOULD MEAN SOME REDUCTION IN THE STANDARD OF LIVING -- SINCE IT WOULD INVOLVE AT SOME STAGES THE SETTLEMENT OF WAGE CLAIMS BELOW THE INCREASE IN THE COST OF LIVING. IF IMPLEMENTED, THIS MEANS THAT THE SOCIAL CONTRACT - MARK II, AS THE PRESS REFERS TO IT, WOULD IMPOSE A MUCH HAR-

SHER SYSTEM OF WAGE GUIDELINES THAN ITS LOOSER, VARIOUSLY INTERPRETED MARK I VERSION. MURRAY MADE IT VERY CLEAR TO HIS COLLEAGES THAT THE PRESENT SYSTEM OF PAY SETTLEMENTS HAD TURNED INTO A "WAGE PAPER CHASE" WHERE INFLATION NULLIFIED BARGAINING GAINS.

3. BUT IT REMAINED TO JACK JONES, THE FATHER OF THE SOCIAL CONTRACT MARK I AND PERHAPS, NOW, MARK II TO LAY DOWN THE POLITICAL-ECONOMIC ALTERNATIVES. AS A TUC OFFICIAL WHO WAS PRESENT TOLD US AFTER THE MEETING: "JACK MADE A REALLY PASSIONATE AND ELOQUENT PLEA" TO COME UP WITH A NEW WORKABLE WAGES POLICY. HE TOLD HIS FELLOW LEADERS THAT IF THE TUC DOESN'T STAND BY THE GOVERNMENT

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 LONDON 09863 02 OF 02 261632Z

45

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 /099 W

----- 064548

R 261612Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2378

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMCONSUL BELFAST  
AMCONSUL EDINBURGH  
AMCONSUL LIVERPOOL

LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 09863

IT WILL BE DEFEATED OR THERE WILL BE A COALITION, INCLUDING SOME ELEMENTS OF THE CABINET (HE NAMED NO ONE BUT HE MUST SURELY BEEN THINKING OF REG PRENTICE, AMONG OTHERS, IN THIS CONNECTION -- SEE REF B -- AND IN ONE PRESS REPORT OF HIS COMMENTS HE IS QUOTED AS REFERRING TO A "FEW TRAITEROUS PEOPLE" FROM THE PRESENT CABINET).  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LONDON 09863 02 OF 02 261632Z

IN ANY EVENT, AFTER THE DEBATE WAS OVER THE COUNCIL VOTED OVERWHELMINGLY BY A VOTE OF 21 TO 6 TO FOLLOW THE JONES-MURRAY LEAD IN ACCEPTING THE SIX-POINT PROPOSAL AS A BASIS FOR FURTHER DISCUSSION AND REFINEMENT DURING FUTURE MEETINGS (MURRAY INDICATED THAT THE TUC MAY TRY TO SPEED UP THE DISCUSSION TIMETABLE BY CALLING EMERGENCY MEETINGS OF THE KEY TUC BODIES).

4. KEY MODERATES SUCH AS DAVID BASNETT, LORD ALLEN AND TOM JACKSON STRONGLY SUPPORTED JONES AND MURRAY IN THE KEY PROPOELS FOR A FLAT-RATE WAGE INCREASES AND IN PEGGING THESE TO A TARGET PRICE LEVEL FOR 1976, BUT NO FIGURE WAS SPELLED OUT, ACCORDING TO OUR SOURCE. ALMOST ALL OF THE OPPOSITION TO THEM EMANATED FROM THE TUC'S LEFT-WING LEADERS, SUCH AS HUGH SCANLON (ALTHOUGH, INTERESTINGLY, SCANLON, WE ARE TOLD, MUTED HIS ARGUMENTS), KEN GILL, CLIVE JENKINS, RAY BUCKTON, ALLEN SAPPER, LES BUCK, AND LAWRENCE DALY. (GORMLEY, THE OTHER MINeworkERS LEADER, ALSO WAS PRESENT AND HE APPEARED TO SEEK AMMUNITION TO "SELL" THE TUC'S DEVELOPING NEW POLICY TO A VERY TOUGH AUDIENCE -- HIS ANNUAL CONGRESS WHICH BEGINS JULY 7.) SUPPORTERS OF THE GENERAL PROPOSALS MAY HAVE SOME DIFFICULTY WHEN THE TUC COMMITTEES GET DOWN TO THE "NITTY-GRITTY". SOME ARE WORRIED ABOUT FLAT-RATE WAGE INCREASES BECAUSE OF THEIR EROSION OF WAGE DIFFERENTIALS, SO IT IS CONCEIVABLE THAT SOME FORMULA MIGHT BE WORKED OUT WHICH ALLEVIATES THIS PROBLEM; SOME SUPPORTERS OF THE CENTRAL PAY POLICIES ARE NOT UNANIMOUS ON HOW TO DEAL WITH PRICES AND THERE ARE SHADINGS OF DIFFERENCES ABOUT OTHER ASPECTS OF THE SIX-POINT APPROACH. BUT THE BASIC ISSUE WILL BE THE SIZE OF THE FLAT-RATE INCREASE AND THE PRICE LEVEL TARGET TO WHICH IT IS RELATED. WILL IT BE THE 5-6 POUND LEVEL WHICH APPARENTLY BOTH CHANCELLOR OF THE EXCHEQUER

DENIS HEALEY AND THE CBI FAVOR OR THE 9-10 POUNDS THAT JACK JONES WANTS? WILL THE ANTICIPATED INFLATION LEVEL TARGET FOR 1976 BE THE 10 PERCENT THE CHANCELLOR SEEKS

OR THE FIFTEEN PERCENT THE UNIONS SEEM TO FAVOR? THESE ARE THE HARD NEGOTIATING ISSUES AHEAD, BUT THE NEW TUC APPROACH HAS THE VIRTUE OF MAKING IT POSSIBLE TO NEGOTIATE ON NUMBERS WHICH ARE CONCRETE AND VISIBLE AS COMPARED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LONDON 09863 02 OF 02 261632Z

TO THE MORE AMORPHOUS CONCEPTS OF THE SOCIAL CONTRACT MARK I; AS ONE TUC OFFICIAL TOLD US "POUNDS AND PENCE ARE EASIER TO DEAL WITH".

5. REPORTEDLY THE GOVERNMENT IS RATHER PLEASED WITH THE PROGRESS MADE BY THE TUC AT YESTERDAY'S MEETING. IT IS BEGINNING TO GET A CLEAR RESPONSE TO ITS NOW ANGUISHED PLEAS OF SUPPORT FROM THE TRADE UNION MOVEMENT IN THE BATTLE AGAINST INFLATION. THE LABOR GOVERNMENT AND THE TUC LEADERSHIP -- AND CERTAINLY JACK JONES -- ARE OBVIOUSLY NOW AWARE OF THE CONSEQUENCES IF A WORKABLE POLICY IS NOT IN PLACE SOON. A WILL TO RESOLVE THE ECONOMIC CRISIS IS DEVELOPING, BUT THERE IS STILL A LONG WAY TO GO.

RICHARDSON

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** UNION GOVERNMENT RELATIONS, ECONOMIC CONDITIONS, LABOR UNIONS, ANTIINFLATIONARY PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LONDON09863  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750222-0418  
**From:** LONDON  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750614/aaaaamdc.tel  
**Line Count:** 253  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 LONDON 9089, 75 LONDON 7940  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <22 APR 2003 by ElyME>; APPROVED <14 OCT 2003 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** JONES WARNS TUC THAT FAILURE TO DEVELOP NEW WAGES POLICY COULD BRING DOWN GOVERNMENT OR RESULT IN  
**TAGS:** ELAB, PINT, UK  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006